



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
TODD COUNTY SHERIFF**

**Calendar Year 1999**

**EDWARD B. HATCHETT, JR.  
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## **EXECUTIVE SUMMARY**

### **TODD COUNTY DALLAS ORR, SHERIFF CALENDAR YEAR 1999 FEE AUDIT**

#### **Fee Account Financial Condition:**

Adequate funds were available to pay all 1999 fee account obligations.

#### **Excess Fees:**

The Sheriff earned \$6,533 of excess fees for calendar year 1999 and paid the county \$6,032 on February 22, 2000. The Sheriff owes an additional \$501 to fiscal court.

#### **Borrowed Money:**

The Sheriff borrowed \$20,000 for fee account operating expenses and repaid the loan during the calendar year.

#### **Comment and Recommendation:**

Sheriff should maintain individual payroll earnings records for each employee.

#### **Drug Fund:**

The Drug Fund had a beginning balance of \$639. Interest of \$34 was earned and there were no disbursements. The balance as of December 31, 1999 was \$673.



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## Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Cecil S. Mallory, Jr., Todd County Judge/Executive

Honorable Dallas Orr, Todd County Sheriff

Members of the Todd County Fiscal Court

### Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Todd County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Cecil S. Mallory, Jr., Todd County Judge/Executive  
Honorable Dallas Orr, Todd County Sheriff  
Members of the Todd County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The Sheriff Should Maintain Individual Payroll Earnings Records for Each Employee

In accordance with Government Auditing Standards, we have also issued a report dated May 11, 2000, on our consideration of the County Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
May 11, 2000



TODD COUNTY  
DALLAS ORR, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

Federal Grants		\$	9,044
State Grants			7,972
State Fees For Services:			3,512
Circuit Court Clerk:			
Sheriff Security Service	\$	5,379	
Fines and Fees Collected		<u>4,860</u>	10,239
Fiscal Court			5,481
County Clerk - Delinquent Taxes			1,152
Commission On Taxes Collected			78,307
Fees Collected For Services:			
Auto Inspections	\$	5,235	
Accident and Police Reports		270	
Serving Papers		6,825	
Carrying Concealed Deadly Weapon Permits		<u>4,089</u>	16,419
Other:			
Vending	\$	60	
Reimbursements		220	
Refunds		622	
Estate Sale		6,500	
Penalties and Interest		11,203	
Miscellaneous		<u>787</u>	19,392
Interest Earned			810
Borrowed Money:			
State Advancement	\$	18,000	
Bank Note		<u>2,000</u>	<u>20,000</u>
Gross Receipts (Carried Forward)		\$	172,328

TODD COUNTY  
DALLAS ORR, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
Calendar Year 1999  
(Continued)

Gross Receipts (Brought Forward)	\$	172,328
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Disbursements

Operating Disbursements:

Personnel Services-

Deputies' Gross Salaries	\$	56,624
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Employee Benefits-

Employer's Share Social Security		1,274
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Employer's Share Retirement		546
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Contracted Services-

Advertising		142
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Vehicle Maintenance and Repairs		2,747
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Materials and Supplies-

Office Materials and Supplies		2,645
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Uniforms		199
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Auto Expense-

Gasoline		8,019
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Other Charges-

Conventions and Travel		175
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Dues		610
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Postage		3,141
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Prisoner Transport Expense		302
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Bond		588
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Service from Other Counties		40
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Training Expense		1,114
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Carrying Concealed Deadly Weapon Permits		2,200
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Estate Sale		6,194
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Jury Meal		54
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Miscellaneous		728
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Debt Service:

State Advancement		18,000
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Notes		2,000
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Total Disbursements		<u>107,342</u>
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Net Receipts (Carried Forward)	\$	64,986
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TODD COUNTY  
DALLAS ORR, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
December 31, 1999  
(Continued)

Net Receipts (Brought Forward)		\$	64,986
Less: Statutory Maximum	\$	57,765	
Sheriff's Incentive Training		688	
		<u>        </u>	<u>58,453</u>
Excess Fees Due County For Calendar Year 1999		\$	6,533
Payment to County Treasurer - February 22, 2000			<u>6,032</u>
Balance Due at Completion of Audit		<u>\$</u>	<u>501</u>

The accompanying notes are an integral part of the financial statement.

TODD COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.22 percent.

TODD COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 1999  
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 1999, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Drug Fund

The beginning balance of the drug fund was \$639 on January 1, 1999. During the calendar year 1999, the Sheriff earned \$34 of interest and expended no funds. The unexpended balance as of December 31, 1999 was \$673.

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COMMENT AND RECOMMENDATION





TODD COUNTY  
DALLAS ORR, SHERIFF  
COMMENT AND RECOMMENDATION

Calendar Year 1999

1) The Sheriff Should Maintain Individual Payroll Earnings Records for Each Employee

The Sheriff does not maintain a payroll earnings record detailing all employees hours worked for each pay period. KRS 337.320 requires that every employer maintain a record of a) the amount paid each pay period to the employee; b) the hours worked each day and week by each employee; and c) such other information as the commissioner requires. We recommend the Sheriff maintain individual payroll earnings records for each employee. The record should include the following items:

Employee Name	Employee Position
Employee Salary or Hourly Wage	Employee Social Security Number
Date Paid	Gross Salary or Wages
Check Number	Overtime Salary or Wages
Total Hours Worked	Regular Salary or Wages
Overtime Hours Worked	Federal, State, and Local Withholdings
Regular Hours Worked	All Other Withholdings and Net Pay

*Sheriff's Response:*

*None*

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Honorable Cecil S. Mallory, Jr., Todd County Judge/Executive  
Honorable Dallas Orr, Todd County Sheriff  
Members of the Todd County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Todd County Sheriff as of December 31, 1999, and have issued our report thereon dated May 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Todd County Sheriff's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance which is required to be reported under Government Auditing Standards and is described in the accompanying comment and recommendation, included herein.

- The Sheriff Should Maintain Individual Payroll Earnings Records for Each Employee

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Todd County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comment and recommendation, included herein.

- The Sheriff Should Maintain Individual Payroll Earnings Records for Each Employee

Honorable Cecil S. Mallory, Jr., Todd County Judge/Executive  
Honorable Dallas Orr, Todd County Sheriff  
Members of the Todd County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the following reportable condition to be a material weakness.

- The Sheriff Should Maintain Individual Payroll Earnings Records for Each Employee

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
May 11, 2000

